

Market Data

Asset Class	Currency	1-wk	1-mth	YTD	2023
Equities					
MSCI World	USD	0.4%	0.7%	10.7%	21.7%
S&P 500	USD	0.6%	2.7%	14.6%	24.2%
Nasdaq	USD	0.2%	5.3%	17.1%	53.8%
Stoxx 600-Europe	EUR	0.5%	-2.2%	7.8%	12.7%
MSCI Asia Pac ex-Japan	USD	0.7%	0.3%	7.5%	4.5%
ASEAN	USD	0.4%	-3.4%	-4.1%	0.7%
Shanghai Shenzhen CSI 300 Index	CNY	-1.2%	-4.5%	2.5%	-11.4%
Hang Seng Index	HKD	0.4%	-5.6%	6.7%	-13.7%
Shanghai Stock Exchange Composite Index	CNY	-1.0%	-4.4%	1.5%	-3.7%
FBMKLCI	MYR	-1.0%	-1.8%	9.4%	-2.8%
Fixed Income					
Berg Barclays Global Agg Index	USD	-0.3%	0.0%	-2.8%	5.7%
JPM Asia Credit Index-Core	USD	-0.1%	1.1%	3.2%	9.9%
Asia Dollar Index	USD	-0.1%	-0.6%	-3.3%	-1.5%
Bloomberg Malaysia Treasury -10 Years	MYR	0.1%	0.4%	1.8%	6.4%

Top Performing Principal Funds (1 month return as of 31 May 2024)	1-mth as of (31 May 2024)	YTD as of (31 May 2024)
Equities		
Principal Islamic Small Cap Opportunities	10.50	33.01
Principal Next-G Connectivity USD	6.61	19.29
Principal Islamic Malaysia Opportunities	5.40	26.13
Balanced		
Principal Lifetime Balanced	4.87	16.79
Principal Dynamic Enhanced Malaysia Income	4.61	15.07
Principal Lifetime Balanced Income	3.94	14.95
Fixed Income		
Principal Islamic Global Sukuk USD	0.70	-0.98
Principal Islamic Lifetime Sukuk	0.61	2.12
Principal Lifetime Bond	0.59	2.00

Source: Bloomberg, market data is as of 21st June 2024.

*As we emphasise a long-term focus, the top performing funds were selected based on their monthly performance.

*The numbers may show as negative if there is no positive return for the period under review.

* The fund performance was referenced from the daily performance report, data was extracted from Lipper.

* The performance figures are based on the fund's respective currency class.

*Past performance is not an indication of future performance.

Market Review ¹

1. This week, global financial markets experienced mix performances. In developed markets, Europe and the United States led the gains, while Japan faced negative returns.
2. Across Asia, performance varied. Taiwan and Indonesia's bourses saw increases, while China on-shore and off-shore markets experienced declines. In Malaysia, the FBMKLIC had negative returns attributed to the cautious sentiment in the regional market.
3. In the bond market, the US 10-year Treasury yield remained unchanged in the 4.2% range as markets continued to digest the economic data and search for clues as to when the Federal Reserve may cut rates. (It's worth noting that bond prices move in the opposite direction of bond yields.)

Macro Factors

1. In the US, retail sales edged up 0.1% month-over-month in May, following a 0.2% decline in April, signalling another indication that consumer sentiment is cooling. The S&P Global composite PMI rose to 54.6 in June, up from 54.5 in May as per preliminary data. The service sector showed significant improvement with a PMI of 55.1, while manufacturing grew slightly, with a PMI of 51.7. ²
2. In Europe, the annual inflation rate increased to 2.6% in May from 2.4% in the previous month, attributed to price increases in food and services. The HCOB Composite PMI fell to 50.8 in June from 52.2 in the previous month. The slowdown was led by the manufacturing sector, while services remained in the expansion zone. ³
3. In China, industrial production expanded by 5.6% year-on-year in May, falling short of market expectations and easing from a 6.7% growth in the previous month. Output slowed down for manufacturing and utilities, while activity accelerated for mining. Fixed-asset investment rose by 4% year-on-year from January to May, slightly lower than the previous period's 4.2% growth, attributed to a slight easing of investments in the secondary sector. On the other hand, retail sales grew by 3.7% year-on-year in May, accelerating from a 2.3% rise in the previous month. This marked the 16th consecutive month of growth in retail trade. China's new home prices in 70 cities continued to decline by 3.9% year-on-year in May despite China unveiling a broad real estate rescue package last month. ⁴
4. In Malaysia, trade surplus narrowed sharply to MYR 10.1 billion in May from MYR 15.7 billion in the same month of the previous year, as exports grew less than imports. Imports surged by 13.8% from a year earlier while exports grew softer at 7.3% year-on-year, compared to 9% growth in the previous month. ⁵

Investment Strategy ⁶

As markets continue to react to incoming data and headlines, we maintain the view that investors should ensure their portfolios are well diversified and focus on quality. We believe China/HK has bottomed as policy towards the residential property market has turned to one of clear support. While the quantum and scope is arguably insufficient, the change in direction is more important at this stage. We now have a slight preference for equities over fixed income. The equities outlook in the second half will be supported by a moderation in the trend of earnings downgrades in Asia.

1. We find bonds appealing with the potential for capital gains as we perceive that the global rate-cutting cycle remain on track, despite the shift in timing and magnitude. Therefore, we maintain our preference for investment grade bonds with longer durations as our preferred investment choice. For Malaysia, the projected improvement to the budget deficit, provided in the Budget 2024, improved the outlook for domestic bonds.
2. On equities, we prefer quality and dividend-paying stocks for their defensive characteristics, which can provide resilience in the face of uncertain macroeconomic and geopolitical conditions. Our positive outlook is focused on Asia and includes strategic positions in various areas: a) the bottoming tech hardware cycle, b) long-term growth potential driven by low penetration rates (such as India), c) recovery plays and structural themes in ASEAN, d) selective sectors benefiting from China's reopening, and e) Malaysia's growing optimism due to political stability and potential gains from the New Energy Transition Roadmap, the New Industrial Master Plan 2030 and projected improvement to the budget deficit detailed in the Budget 2024.
3. We also favour diversification and income-focused approach to ride out volatilities arising from geopolitical tensions, inflationary issues, and concerns of economic slowdown.

Sources:

- ¹ Bloomberg, 21st June 2024
- ² Bloomberg, Bureau of Labor Statistics (BLS), ISM, S&P Global, US Federal Board, 21st June 2024
- ³ S&P Global, ECB, Factset, Bank of England (BoE), 21st June 2024
- ⁴ Bloomberg, National Bureau of Statistic China, CEWC, 21st June 2024
- ⁵ Department of Statistic Malaysia, S&P Global, 21st June 2024
- ⁶ Principal view, 21st June 2024

*PMI refers to Purchasing Manufacturing Index

*HCOB refers to Hamburg Commercial Bank

*NBS PMI refers to official data released by National Bureau of Statistic in China

*Caixin PMI refers to data published by Caixin Media and ISH Markit. It provides alternative gauge focusing on smaller and medium-sized enterprises.

*ECB refers to European Central Bank

*PBOC refers to People's Bank of China

*PCE refers to Personal Consumption Expenditure

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